

Message Text

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PAGE 01 OTTAWA 01820 142139Z

14-11

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 CIAE-00 COME-00 INR-07 LAB-04

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6446

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E.O. 11652: N/A

TAGSC ELAB. CA

SUBJECT: LABOR AND GOVERNMENT CONTINUE DISCUSSIONS ON WAGE-
PRICE RESTRAINTS

INFO ALL CONSULATES GENERAL IN CANADA BY POUCH

REF: OTTAWA 1697; 1743

1.FINANCE MINISTER TURNER AND LABOR MINISTER MUNRO MET
WITH CANADIAN LABOUR CONGRESS (CLC) EXECUTIVE COMMITTEE
ON MAY 12 FOR FURTHER EXCHANGE OF VIEWS ON GOC WAGE-
PRICE RESTRAINT PROPOSALS AND CLC'S NINE-POINT COUNTER
PROPOSALS (SEE REFTELS). CLC SOURCE TOLD LABATT THAT
ONLY AGREEMENT REACHED AT MEETING WAS SCHEDULING ANOTHER
GET TOGETHER THE FOLLOWING DAY OF THE GOVERNMENT-LABOR
TASK FORCE COMPOSED OF FIVE SENIOR GOC OFFICIALS AND
CLC'S RESEARCH AND LEGISLATIVE DIRECTORS.DURING MAY 13
TECHNICAL-LEVEL DISCUSSIONS UNION REPS REITERATED THAT
CERTAIN CLC DEMANDS SUCH AS ENFORCED LIMITS ON PROFESSIONAL
FEES, RENT CONTROLS, CURBS ON LAND SPECULATION, ARE CLC
PREREQUISITES FOR FURTHER CONSIDERATION OF WAGE
RESTRAINTS. TO THIS END CLC WILL AWAIT RESULTS OF
MAY 14 MEETING OF FINANCE MINISTER WITH BUSINESS
AND PROFESSIONAL GROUPS AS WELL AS OUTCOME OF FEDERAL-
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PROVINCIALCONSULTATIONS ON MATTERS FALLING INTO LATTER

JURISDICTIONS BEFORE PARTICIPATING IN FURTHER TASK
FORCE DISCUSSIONS.

2. COMMENT; IM FORMULATING THEIR STRATEGY, TRADE UNION
LEADERS ARE FACED WITH AGONIZING ALTERNATIVES.
ON ONE HAND, THEY CONSIDER CURRENT LEVEL OF WAGE
SETTLEMENTS RUNNING ROUGHLY 16 PERCENT PER ANNUM
JUSTIFIED IN VIEW OF PAST LOSSES IN REAL EARNINGS
COUPLED WITH AN APRIL 74 - APRIL 75 11 PERCENT INFLATION RATE.
ON OTHER HAND, A DETERIORATING COMPETITIVE POSITION
PARTLY INDUCED BY RISING LABOR COSTS AND A LINGERING
7.2 PERCENT SEASONALLY ADJUSTED UNEMPLOYMENT RATE FOR
PAST TWO MONTHS DICTATE NEED FOR LABOR'S COOPERATION
TO STEM FURTHER DETERIORATION. CAUGHT IN THIS DILEMMA
AND UNDER PRESSURE FROM GOVERNMENT, CLC WOULD PROBABLY
COUNSEL ITS AFFILIATES TO MODERATE THEIR WAGE DEMANDS
WITHOUT SETTING SPECIFIC LIMITS (CERTAINLY NOT 12 PER
CENT CEILING PROPOSED BY FINANCE MINISTER TURNER)
PROVIDING GOC CAN CONVINCE LABOR THAT OTHER SECTORS
OF THE ECONOMY ARE FIRMLY COMMITTED TO EXERCISE RESTRAINTS
ON PRICES AND PROFITS AND PROFESSIONAL INCOMES. WHILE
SOME CONSENSUS MIGHT EVENTUALLY BE POSSIBLE, IT
APPEARS HIGHLY DOUBTFUL THAT IT COULD BE REACHED
BY THE END OF MAY, WHICH IS DEADLINE SET BY FINANCE
MINISTER TURNER WHO WANTS TO SUBMIT NEW BUDGET VERY
EARLY IN JUNE.
PORTER

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